

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1861 – HB 1923

April 8, 2018

SUMMARY OF ORIGINAL BILL: Adds the chairs and membership of the Fiscal Review Committee to the list individuals who shall annually receive a synopsis of The Conference and Convention Center Facilities Compliance Report by the Comptroller of the Treasury.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (016666): Deletes all language after the enacting clause. Requires that any bond, note, or other indebtedness, including any refinancing or refunding, proposed to be issued under the *Convention Center and Tourist Development Financing Act of 1998* (the Act), must be approved by the State Funding Board (the Board). Establishes that the Act only applies to tourist development zones (TDZs) existing as of the effective date of this legislation and to TDZs approved by the State Building Commission (the Commission) no later than December 31, 2018, that are created pursuant to a letter of intent or application filed as of January 26, 2007. Establishes that any application that is not approved by the Commission by December 31, 2018, whether or not it is filed pursuant to a letter of intent filed by June 26, 2007, is null and void. Authorizes the Commission to approve or disapprove an application for or modification to a TDZ in whole or in part; however, each TDZ is strictly prohibited from expanding its boundaries or extending its term unless it is expressly authorized by statute with respect to a particular TDZ. Authorizes the Commission to deny a modification relative to the use of TDZ funds if it determines that any proposed use is not economically feasible or not in the best interest of the state.

Requires the municipality or public authority in which a TDZ is located to file an annual report in a form and in accordance with procedures prescribed by the Comptroller of the Treasury.

In addition to the annual report, the State Building Commission has the authority to request at any time a sources and uses report showing all funds received or expended by the municipality or public authority with respect to the TDZ during the previous three months.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – Unknown state cost avoidances and equivalent amounts of forgone local revenue. In addition, passage of this legislation may result in the prevention of public authorities and local governments from entering into additional forms of indebtedness, subject to approval of the State Funding Board. The extent and timing of any impacts upon state or local government cannot be determined for they are dependent upon future unknown events that would occur in the absence of this legislation.

Assumptions for the bill as amended:

- This legislation will prohibit the approval of any new TDZs under the Act; however, this legislation will allow for the approval of any TDZ, for which a letter of intent was filed as of January 26, 2007, and approved by the Commission no later than December 31, 2018.
- This legislation authorizes the Commission to approve or disapprove an application for a TDZ or a modification to a TDZ, in whole or in part, subject to the aforementioned criteria.
- It is assumed that the exceptions to this legislation for certain applications and modifications will, in most cases, prevent the approval of or modification to existing or proposed TDZs, which in the absence of this legislation would be approved and or modified.
- Preventing any modification of an existing TDZ is assumed to result in cost avoidance to the state and an equivalent amount of forgone revenue to the applicable local entity, as the modification of an existing TDZ is generally assumed to result in an increase in the special apportionment to the applicable local entity from the increase in state and local sales and use tax, relative to previous year's base tax collections. Any such increase in local revenue is equivalent to a like-amount decrease in revenue that would have, in the absence of the TDZ, been allocated to the state General Fund.
- Due to numerous unknown factors, any state cost avoidance and forgone local revenue cannot be reasonably estimated.
- This legislation requires the Board to approve all forms of indebtedness proposed by a TDZ.
- This legislation may result in any number of forms of indebtedness, as proposed by the local government or public authority, having control over a TDZ, from being approved.
- Any decrease in the forms of indebtedness undertaken by a local government or public authority will have an unknown impact upon any such local government or public authority.
- Requiring municipalities or public authorities to file annual reports, and upon request by the State Building Commission, a three-month report, is not estimated to have a significant impact on local governments.

- The Comptroller's Office can prescribe, prepare, and establish forms and procedures for the annual report established by the bill as amended, utilizing existing resources without the need for an additional appropriation or a reduced reversion.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Other Commerce Impact – Any impact to commerce and jobs in Tennessee cannot be determined for such impacts are dependent upon future unknown events that would occur in the absence of this legislation.

Assumption for the bill as amended:

- Any impact to commerce or jobs in Tennessee cannot be determined for such impacts are dependent upon future unknown events that would occur in the absence of this legislation.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb